

CHAPTER 24 TYPES OF CONTRACTS

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| 2400 | GENERAL PROVISIONS |
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| 2400.1 | The contracting officer shall use the types of contracts described in this chapter for all types of procurement, except as otherwise provided for certain small purchases under chapter 18 of this title. |
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| 2400.2 | In accordance with §309 of the D.C. Procurement Practices Act of 1985 (the "Act"), D.C. Code §1-1183.9, the cost-plus-a-percentage-of-cost type of contract shall not be used. |
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| 2400.3 | The contracting officer shall select the type of contract that is most appropriate to the circumstances of each procurement, in accordance with the provisions of this chapter. |
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| 2400.4 | In procurements by other than competitive sealed bids, the contracting officer may negotiate a contract type and price (or estimated cost and fee) that will result in |

reasonable contractor risk and provide the contractor with the greatest incentive for efficient and economical performance.

AUTHORITY: Unless otherwise noted, the authority for this chapter is the District of Columbia Procurement Practices Act of 1985, D.C. Law 6-85, as amended, D.C. Code §1-1181.1 *et seq.* (1981).

SOURCE: Final Rulemaking published at 35 DCR 1554 (February 26, 1988).

2401 SELECTING CONTRACT TYPES

- 2401.1 When procurement is by competitive sealed bids, the contracting officer shall use either a firm-fixed-price contract or a fixed-price contract with economic price adjustment. The type of contract to be used shall be determined prior to solicitation, and the solicitation shall inform bidders of the type of contract that will be used.
- 2401.2 Except when procurement is by competitive sealed bids under §2401.1, the contracting officer may use any type of contract approved for use under this chapter, or combination of types, that will promote the best interests of the District.
- 2401.3 The contracting officer shall use a firm-fixed-price contract when the risk involved is minimal (or can be predicted with an acceptable degree of certainty) and when fair and reasonable prices can be established. However, if a reasonable basis for firm-fixed pricing does not exist, the contracting officer may consider other contract types, or combination of types, that will appropriately link profit to contractor performance, except as limited by §2401.1.
- 2401.4 Except as limited in §2401.1, when deciding which contract type (or combination of types) to use, the contracting officer shall give preference to contract types in the following order:
- (a) Fixed-price;
 - (b) Fixed-price incentive;
 - (c) Cost-plus-incentive-fee;
 - (d) Cost-plus-fixed-fee;
 - (e) Cost-reimbursement; and
 - (f) Other types.
- 2401.5 The contracting officer shall avoid continued use of a cost-reimbursement or time-and-materials contract after experience provides a basis for firmer pricing.
- 2401.6 The contracting officer shall include documentation in each contract file to show why the particular contract type was selected, except for the following procurements:
- (a) Small purchases other than cost-reimbursement contracts; and
 - (b) Repetitive purchases on a firm-fixed-price basis.

SOURCE: Final Rulemaking published at 35 DCR 1554 (February 26, 1988).

2402 FIXED-PRICE CONTRACTS

- 2402.1 Fixed-price contracts may provide for a firm price or, in appropriate cases, an adjustable price.
- 2402.2 Fixed-price contracts providing for an adjustable price may include a ceiling price, a target price (including target cost), or both. Unless otherwise specified in the contract, the ceiling price or target price shall be subject to adjustment only by operation of contract clauses, approved by the Director, providing for equitable adjustment or other revision of the contract price under stated circumstances.
- 2402.3 A firm-fixed-price contract shall provide for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract.
- 2402.4 A firm-fixed-price contract shall be used for acquiring commercial products or commercial-type products, or for acquiring other supplies or services, on the basis of reasonably definite functional or detailed specifications if the contracting officer can establish fair and reasonable prices at the outset, including the following circumstances:
- (a) When there is adequate price competition;
 - (b) When there are reasonable price comparisons with prior purchases of the same or similar supplies or services made on a competitive basis;
 - (c) When available cost or pricing information permits realistic estimates of the probable costs of performance; and
 - (d) When performance uncertainties can be identified and reasonable estimates of their cost impact can be made, and the contractor is willing to accept a firm-fixed-price contract.

SOURCE: Final Rulemaking published at 35 DCR 1555 (February 26, 1988).

2403 FIXED-PRICE CONTRACTS WITH ECONOMIC PRICE ADJUSTMENTS

- 2403.1 The contracting officer shall not use a fixed-price contract with economic price adjustment unless the contracting officer determines that it is necessary to protect the contractor and the District against significant fluctuations in labor or material costs, or to provide for contract price adjustment in the event of changes in the contractor's established prices.
- 2403.2 A fixed-price contract with economic price adjustment shall provide for upward and downward revision of the stated contract price upon the occurrence of certain contingencies that are specifically defined in the contract.
- 2403.3 An economic price adjustment may be one (1) of the following general types:
- (a) Adjustment based on increases or decreases from an agreed-upon level in published or otherwise established prices of specific items or the contract end items;

- (b) Adjustment based on increases or decreases in specified costs of labor or material that the contractor actually experiences during contract performance; or
 - (c) Adjustment based on increases or decreases in labor or material cost standards or indexes that are specifically identified in the contract.
- 2403.4 For use of economic price adjustments in procurements by competitive sealed bids, the contracting officer shall follow the procedures set forth in §1542 of chapter 15 of this title.
- 2403.5 The contracting officer may use a fixed-price contract with economic price adjustment when the following factors are applicable:
 - (a) There is serious doubt concerning the stability of market or labor conditions that will exist during an extended period of contract performance; and
 - (b) Contingencies that would otherwise be included in the contract price can be identified and covered separately in the contract.
- 2403.6 Price adjustments based on established catalog prices shall be restricted to industry-wide contingencies. Industry-wide contingencies shall be those affecting a particular industry as a whole, and shall not depend upon circumstances within the contractor's control.
- 2403.7 Price adjustments based on labor and material costs shall be limited to contingencies beyond the contractor's control.
- 2403.8 When establishing the base level from which adjustment will be made, the contracting officer shall ensure that contingency allowances are not duplicated by inclusion in both the base price and the adjustment requested by the contractor under the economic price adjustment clause approved by the Director.
- 2403.9 In contracts that do not require submission of cost or pricing data, the contracting officer shall obtain adequate information to establish the base level from which adjustment will be made and may require verification of data submitted.

SOURCE: Final Rulemaking published at 35 DCR 1556 (February 26, 1988).
- 2404 FIXED-PRICE CONTRACTS WITH PROSPECTIVE PRICE REDETERMINATION**
- 2404.1 The contracting officer may use a fixed-price contract with prospective price redetermination in procurements of quantity production or services for which it is possible to negotiate a fair and reasonable firm-fixed-price for an initial period, but not for subsequent periods of contract performance as provided in §2404.4.
- 2404.2 The contracting officer shall not use a fixed-price contract with prospective price redetermination unless all of the following apply:
 - (a) The contracting officer has determined that the conditions for use of a firm-fixed-price contract are not present and a fixed-price incentive contract would not be more appropriate;

- (b) The contractor's accounting system is adequate for price redetermination;
- (c) The prospective pricing periods can be made to conform with the operation of the contractor's accounting system; and
- (d) There is reasonable assurance that price redetermination actions will take place promptly at the specified times.

2404.3 When the contracting officer uses a fixed-price contract with prospective price redetermination, the initial period shall be the longest period for which it is possible to negotiate a fair and reasonable firm-fixed-price. Each subsequent pricing period shall be at least twelve (12) months.

2404.4 A fixed-price contract with prospective price redetermination may provide for a ceiling price based on evaluation of the uncertainties involved in performance and their possible cost impact. The ceiling price shall provide for assumption of a reasonable proportion of the risk by the contractor and, once established, may be adjusted only by operation of provisions for an equitable adjustment or other revision of the contract price under stated circumstances.

2404.5 When a fixed-price contract with prospective price redetermination is used, the contracting officer shall include an appropriate clause approved by the Director.

SOURCE: Final Rulemaking published at 35 DCR 1557 (February 26, 1988).

2405 COST-REIMBURSEMENT CONTRACTS

2405.1 The contracting officer shall use a cost-reimbursement contract only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract.

2405.2 The contracting officer may use a cost-reimbursement contract only when the following circumstances apply:

- (a) The contractor's accounting system is adequate for determining costs applicable to the contract;
- (b) Appropriate District surveillance during performance will provide reasonable assurance that efficient methods and effective cost controls are used; and
- (c) The contracting officer determines, in writing, that the use of a cost-reimbursement type contract is likely to be less costly than any other type, or it is impractical to obtain supplies or services of the kind or quality required without the use of this contract type.

2405.3 Each cost-reimbursement contract shall contain the following:

- (a) A clause, approved by the Director, indicating that only those costs determined by the contracting officer to be reasonable, in accordance with chapter 33 of this title, will be reimbursable; and

(b) A clause, approved by the Director, establishing a stated price ceiling.

- 2405.4 The contracting officer may use a cost contract for facilities contracts.
- 2405.5 The contracting officer may use a cost-sharing contract when the contractor agrees to absorb a portion of the costs, in the expectation of substantial compensating benefits.
- 2405.6 The contracting officer may use a cost-plus-incentive-fee contract or cost-plus-award-fee contract in accordance with §2406.
- 2405.7 The contracting officer may use a cost-plus-fixed-fee contract when contracting for efforts that might otherwise present too great a risk to the contractor, such as when the contract is for a study and the level of effort is unknown. The contract shall include a clause, approved by the Director, setting a maximum allowable fee.
- 2405.8 A cost-plus-fixed-fee contract may be in either a completion form or term form. When using the completion form, the contracting officer shall describe the scope of work by stating a definite goal or target and specifying an end product. When using the term form, the contracting officer shall describe the scope of work in general terms and obligate the contractor to devote a specified level of effort for a stated time period.
- 2405.9 When using a cost-plus-fixed-fee contract, the completion form shall be preferred over the term form whenever the work, or specific milestones for the work, can be defined well enough to permit development of estimates within which the contractor can be expected to complete the work. The term form shall not be used unless the contractor is obligated by the contract to provide a specific level of effort within a definite time period.

SOURCE: Final Rulemaking published at 35 DCR 1558 (February 26, 1988).

2406 INCENTIVE CONTRACTS

- 2406.1 The contracting officer may use an incentive contract when a firm-fixed-price contract is not appropriate and the required supplies or services can be procured at lower costs and, in certain instances, with improved delivery or technical performance, by relating the amount of profit or fee payable under the contract to the contractor's performance.
- 2406.2 The contracting officer may use an incentive contract when it is necessary to establish reasonable and attainable targets that are clearly understandable by the contractor, and to provide appropriate incentive arrangements designed to motivate contractor efforts and discourage contractor inefficiency and waste.
- 2406.3 When predetermined formula-type incentives on technical performance or delivery are included, increases in profit or fee shall be provided only for achievement that surpasses the targets, and decreases shall be provided for to the extent that targets are not met.
- 2406.4 The contracting officer shall apply incentive increases or decreases to performance targets rather than minimum performance requirements.

2406.5 Incentive contracts may be fixed-price incentive contracts or cost-reimbursement incentive contracts.

2406.6 Cost-reimbursement incentive contracts shall be subject to the provisions of §§2405.1, 2405.2, and 2405.3.

SOURCE: Final Rulemaking published at 35 DCR 1560 (February 26, 1988).

2407 TYPES OF INCENTIVES

2407.1 Incentive contracts shall include cost incentives which take the form of a profit or fee adjustment formula. No incentive contract shall provide for other incentives without also providing for a cost incentive.

2407.2 Except for cost-plus-award-fee contracts, incentive contracts shall include a target cost, a target profit or fee, and a profit or fee adjustment formula that (within the constraints of a price ceiling or minimum and maximum fee) provides for the following:

- (a) Actual cost that meets the target will result in the target profit or fee;
- (b) Actual cost that exceeds the target will result in downward adjustment of the target profit or fee; and
- (c) Actual cost that is below the target will result in upward adjustment of the target profit or fee.

2407.3 Technical performance incentives may be considered in connection with specific product characteristics or other specific elements of the contractor's performance.

2407.4 Technical performance incentives shall be designed to tailor profit or fee to results achieved by the contractor, compared with specified target goals. The contract shall be specific in establishing performance test criteria (such as testing conditions, instrumentation precision, and data interpretation) in order to determine the degree of attainment of performance targets.

2407.5 The contracting officer may consider delivery incentives when meeting a required delivery schedule is a significant District objective.

2407.6 The contracting officer shall specify in incentive arrangements the application of the reward-penalty structure in the event of District-caused delays or other delays beyond the control and without the fault or negligence of the contractor or a subcontractor.

SOURCE: Final Rulemaking published at 35 DCR 1560 (February 26, 1988).

2408 FIXED-PRICE INCENTIVE CONTRACTS

2408.1 A fixed-price incentive contract may be used when the following factors apply:

- (a) A firm-fixed-price contract is not suitable;

- (b) The nature of the supplies or services being procured and other circumstances of the procurement are such that the contractor's assumption of a degree of cost responsibility will provide a positive profit incentive for effective cost control and performance;
- (c) If the contract also includes incentives on technical performance or delivery, the performance requirements provide a reasonable opportunity for the incentives to have a meaningful impact on the contractor's management of the work;
- (d) The contractor's accounting system is adequate for providing data for negotiating firm targets and a realistic profit adjustment formula, as well as later negotiation of final costs; and
- (e) Adequate cost or pricing information for establishing a reasonable firm target is reasonably expected to be available at the time of initial contract negotiations.

2408.2 A fixed-price incentive contract shall be used only when the contracting officer determines that this type of contract would be less costly than any other type or that it is impractical to obtain supplies or services of the kind or quality required without the use of this contract type.

2408.3 A fixed-price incentive contract with a firm target shall specify a target cost, a target profit, a price ceiling (but not a profit ceiling or floor), and a profit adjustment formula. These elements shall be negotiated at the outset. The formula shall have the following results:

- (a) When the final cost is less than the target cost, application of the formula will result in a final profit greater than the target profit;
- (b) When the final cost is more than the target cost, application of the formula will result in a final profit less than the target profit, or a net loss; or
- (c) If the final negotiated cost exceeds the price ceiling, the contractor will absorb the difference as a loss.

2408.4 In a fixed-price incentive contract with a firm target, the price ceiling shall be the maximum that may be paid to the contractor, except for any adjustment under other contract clauses.

2408.5 When the contractor completes performance, the contracting officer and the contractor shall negotiate the final cost, and establish the final price by applying the formula.

SOURCE: Final Rulemaking published at 35 DCR 1561 (February 26, 1988).

2409 COST-PLUS-AWARD-FEE CONTRACTS

2409.1 A cost-plus-award-fee contract may be used when the following factors apply:

- (a) The work to be performed is such that it is neither feasible nor effective to devise predetermined objective incentive targets applicable to cost, technical performance, or schedule;

- (b) The likelihood of meeting the procurement objective will be enhanced by using a contract that effectively motivates the contractor toward exceptional performance and provides the District with the flexibility to evaluate both actual performance and the conditions under which it was achieved; and
 - (c) Any additional administrative effort and cost required to monitor and evaluate performance are justified by the expected benefits.
- 2409.2 A cost-plus-award-fee contract shall provide for a fee consisting of a base amount fixed at inception of the contract and an award amount that the contractor may earn in whole or in part during performance. Each contract shall state a maximum award amount that may be paid under the contract.
- 2409.3 The amount of the award fee to be paid shall be determined by the contracting officer's judgmental evaluation of the contractor's performance in terms of the criteria stated in the contract.
- 2409.4 The award fee determination shall be made unilaterally by the contracting officer and shall not be subject to appeal or the contractor's rights under the disputes clause in the contract.
- 2409.5 A cost-plus-award-fee contract shall provide for evaluation at stated intervals during performance, so that the contractor will periodically be informed of the quality of its performance and the area in which improvement is expected.

SOURCE: Final Rulemaking published at 35 DCR 1563 (February 26, 1988).

§§2410-2414: RESERVED

2415 DEFINITE-QUANTITY CONTRACTS

- 2415.1 The contracting officer may use a definite-quantity contract when it can be determined in advance that a specific quantity of supplies or services will be required during the contract period and the supplies or services are regularly available or will be available after a short lead time.

SOURCE: Final Rulemaking published at 35 DCR 1564 (February 26, 1988).

2416 TERM CONTRACTS

- 2416.1 The contracting officer may use a term contract (either a requirements contract or an indefinite-quantity contract) when the exact quantities of supplies or services are not known at the time of contract award. Term contracts shall be subject to the provisions of this section and §2103 of chapter 21 of this title.

- 2416.2 A term contract may also specify maximum or minimum quantities that the District may order under each individual order and the maximum that the District may order during a specified period of time.
- 2416.3 The contracting officer may use a requirements contract when the contracting officer anticipates recurring requirements but cannot predetermine the precise quantities of supplies or services that designated District agencies will need during a definite period.
- 2416.4 Each agency designated in a requirements contract shall be required to fill all actual purchase requirements for the specific supplies or services from the requirements contract.
- 2416.5 The contracting officer shall include the following in each contract and solicitation for a requirements contract:
- (a) A realistic estimate of the total quantity that will be ordered, based on the most current information available; and
 - (b) A clause, approved by the Director, stating that the estimate is not a representation to a bidder, offeror, or contractor that the estimated quantity will actually be required or ordered, or that conditions affecting the requirements will be stable or normal.
- 2416.6 If feasible, a requirements contract shall state the maximum limit of the contractor's obligation to deliver and the District's obligation to order.
- 2416.7 For requirements contracts, the contracting officer shall execute the contract without the obligation of funds. Funds shall be obligated by each agency at the time orders are issued under the contract.
- 2416.8 The agency contracting officer executing orders under a requirements contract shall obligate funds when each individual order is issued. An agency contracting officer may order from a requirements contract within the limits of the requesting agency's budget authority for the items or services covered by the contract, but without regard to the limits of the agency's contracting authority.
- 2416.9 The contracting officer may use an indefinite-quantity contract when the contracting officer cannot predetermine, above a specified minimum, the precise quantity of supplies or services that will be required during the contract period, and the contracting officer determines that it is inadvisable to commit the District for more than a minimum quantity.
- 2416.10 An indefinite-quantity contract shall require the District to order and the contractor to furnish at least the stated minimum quantity of supplies or services. The contractor shall also be required to furnish, if and as ordered, any additional quantities, not to exceed a stated maximum.
- 2416.11 For indefinite-quantity contracts, the contracting officer shall ensure that each agency listed as a using agency on the contract obligates the amount of budget authority needed to cover the agency's minimum required order under the contract.

SOURCE: Final Rulemaking published at 35 DCR 1564 (February 26, 1988).

2417 ORDERING UNDER TERM CONTRACTS

- 2417.1 The contracting officer shall include in the schedule of requirements in each term contract the names of the agency or agencies authorized to issue orders under the contract.
- 2417.2 When determined appropriate by the contracting officer, authorization for placing oral or telegraphic orders may be included in a term contract; Provided, that the Director shall establish procedures for obligating funds and confirming all telegraphic and oral orders.
- 2417.3 Each order placed under a term contract shall contain the following information:
- (a) Date of the order;
 - (b) Contract number and an order number;
 - (c) Item number, description, quantity, and unit price;
 - (d) Delivery or performance date;
 - (e) Place of delivery or performance;
 - (f) Packaging, packing, and shipping instructions, if any;
 - (g) Accounting and appropriations data; and
 - (h) Any other pertinent information.

SOURCE: Final Rulemaking published at 35 DCR 1565 (February 26, 1988).

§§2418-2419: RESERVED

2420 TIME-AND-MATERIALS CONTRACTS

- 2420.1 A time-and-materials contract may be used only after the contracting officer determines in writing that no other type of contract is suitable, and only if the contract includes a ceiling price that the contractor exceeds at its own risk.
- 2420.2 The contracting officer shall document the contract file to justify the reasons for and the amount of any subsequent change in the ceiling price.

- 2420.3 A time-and-materials contract may be used only when it is not possible at the time of executing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence.
- 2420.4 A time-and-materials contract shall include direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, profit, and materials required at cost.
- 2420.5 The contract administrator shall provide surveillance of contractor performance when a time-and-materials type contract is used.
- 2420.6 When the nature of the work to be performed requires the contractor to furnish material that it regularly sells to the general public in the normal course of its business, the contract may provide for charging material on a basis other than cost if the following factors apply:
- (a) The total estimated contract price does not exceed fifty thousand dollars (\$50,000), or the estimated price of material charged does not exceed twenty percent (20%) of the estimated contract price;
 - (b) The material to be charged is identified in the contract;
 - (c) No element of profit on material charged is included as profit in the fixed hourly labor rates; and
 - (d) The contract provides that the price to be paid for the material shall be based on an established catalog or list price in effect when material is furnished, less all applicable discounts to the District, and that in no event shall the price exceed the contractor's sales price to its most-favored customer for the same item in like quantity, or the current market price, whichever is lower.

SOURCE: Final Rulemaking published at 35 DCR 1566 (February 26, 1988).

2421 LABOR-HOUR CONTRACTS

- 2421.1 When materials are not required, the contracting officer may use a labor-hour contract, a variation of the time-and-materials contract.
- 2421.2 The use of a labor-hour contract shall be in accordance with the provisions of §2420.

SOURCE: Final Rulemaking published at 35 DCR 1567 (February 26, 1988).

§§2422-2424: RESERVED

2425 LETTER CONTRACTS

- 2425.1 A letter contract may be used only after the contracting officer determines, in writing, that no other type of contract is suitable.
- 2425.2 A letter contract shall not commit the District to a definitive contract in excess of the funds available at the time the letter contract is executed.
- 2425.3 A letter contract shall not be entered into without competition, except as provided for in chapter 17 of this title.
- 2425.4 A letter contract shall not be amended to satisfy a new requirement unless the new requirement is inseparable from the existing contract. Any amendment shall be subject to the same requirements as a new letter contract.
- 2425.5 The contracting officer may use a letter contract when the District's interests demand that the contractor be given a binding commitment so that work can start immediately and executing a definitive contract is not possible in sufficient time to meet the requirement. Each letter contract shall be as complete and definite as possible under the circumstances and shall include clauses approved and required by the Director.
- 2425.6 When a letter contract is executed, the contracting officer shall include a price ceiling for the anticipated definitive contract. The price ceiling shall not be exceeded. Each letter contract shall also include a clause, approved by the Director, indicating the maximum liability of the District under the letter contract.
- 2425.7 The maximum liability to the District shall be the estimated amount necessary to cover the contractor's requirement for funds before execution of the definitive contract. However, the District's maximum liability shall not exceed fifty percent (50%) of the overall price ceiling for the term of the definitive contract pursuant to §2425.6.
- 2425.8 In procurements by other than competitive sealed bids, a letter contract shall contain a negotiated schedule for execution of the definitive contract, including dates for submission of the contractor's price proposal, cost or pricing data (if required), a date for start of negotiations, and a target date for execution of the definitive contract.
- 2425.9 The contracting officer shall execute a definitive contract within one hundred and twenty (120) days after the date of execution of the letter contract or before completion of fifty percent (50%) of the work to be performed, whichever occurs first. The contracting officer may authorize an additional period if the additional period is approved in writing by the head of the contracting agency.
- 2425.10 In procurements by other than competitive sealed bids, if the contracting officer and the contractor cannot negotiate a definitive contract because of failure to reach agreement regarding price or fee, the contractor shall be required to continue the work and the contracting officer may, with the approval of the head of the contracting agency, determine a reasonable price or fee, subject to review in accordance with chapter 38 and the Act.
- 2425.11 Prior to execution of a letter contract, the contracting officer shall ensure that funds are encumbered for obligation in the amount of the maximum District liability for the term of the letter contract.

- 2425.12 For purposes of review and approval of letter contracts, in accordance with §1010 of chapter 10 of this title, and for purposes of contracting authority, the contracting officer shall use the estimated cost of the definitive contract for determining the type and level of review and approval required.

SOURCE: Final Rulemaking published at 35 DCR 1567 (February 26, 1988).

2499 DEFINITIONS

- 2499.1 When used in this chapter, the following words and terms shall have the meanings ascribed:

Commercial-type products - a product such as an item, material, component, subsystem or system, sold or traded to the general public in the course of normal business operations at prices based on established catalog or market prices.

Cost - the amount paid or charged for something. Cost does not include the contractor's profit.

Cost contract - a cost-reimbursement contract in which the contractor receives no fee.

Cost-plus-award-fee contract - a cost-reimbursement type contract that provides for a fee consisting of an amount fixed at the beginning of the contract and potential award of additional fee amounts based upon a judgmental evaluation by the contracting officer, sufficient to provide motivation for excellence in contract performance.

Cost-plus-fixed-fee contract - a cost-reimbursement type contract which provides for the payment of a fixed fee to the contractor. The fixed fee, once negotiated, does not vary with actual cost, but may be adjusted as a result of any subsequent changes in the work or services to be performed under the contract.

Cost-plus-incentive-fee contract - a cost-reimbursement type contract that provides for an initially negotiated fee to be adjusted later by a formula based on the relationship of total allowable costs to total target costs. After performance of the contract, the fee payable to the contractor is determined in accordance with a negotiated formula.

Cost-reimbursement contract - a contract which provides for payment of allowable costs incurred in the performance of a contract, to the extent prescribed in the contract. This type of contract establishes an estimate of total cost for the purpose of obligating funds, and establishes a ceiling which the contractor may not exceed (except at its own risk) without prior approval of, or subsequent ratification by, the contracting officer.

Cost-sharing contract - a cost-reimbursement type contract in which the contractor receives no fee and is reimbursed only for an agreed upon portion of its allowable costs.

Definite-quantity contract - a contract that provides for delivery of a definite quantity of specific supplies or services for a fixed period, with deliveries to be scheduled at designated locations.

Definitive contract - the contract executed pursuant to letter contract commitment.

Director - the Director of the Department of Administrative Services.

Firm-fixed-price contract - a fixed-price contract that provides for a price that is not subject to any adjustment of the basis of the contractor's cost experience in performing the contract. This type of contract places maximum risk and full responsibility for all costs and resulting profit or loss upon the contractor, and provides maximum incentive for the contractor to control cost and perform effectively.

Fixed-price contract with economic price adjustment - a fixed-price contract that provides for the upward and downward revision of the stated contract price upon the occurrence of certain contingencies that are specifically defined in the contract.

Fixed-price incentive contract - a fixed-price type contract that provides for adjusting profit and establishing the final contract price by a formula based on the relationship of final negotiated total costs to total target costs. After performance of the contract, the final cost is negotiated and the final contract price is then established in accordance with the formula.

Incentive contract - a fixed-price or cost-reimbursement type contract which provides for relating the amount of profit or fee payable under the contract with the contractor's performance in order to obtain specific procurement objectives.

Indefinite-quantity contract - a contract that provides for an indefinite quantity, within written stated limits, of specific supplies or services to be furnished during a fixed period, with deliveries to be scheduled by placing orders with the contractor. The contract requires the District to order and the contractor to furnish at least a stated minimum of supplies or services.

Labor-hour contract - a contract that is a variant of the time-and-materials type contract differing only in that materials are not supplied by the contractor.

Letter contract - a written preliminary contractual instrument that authorizes the contractor to begin immediately manufacturing or delivering supplies or performing services. A letter contract is always associated with a definitive contract, and a letter contract by itself cannot be the sole document used for a complete procurement.

Maximum liability - the amount, not to exceed fifty percent (50%) of the overall contract price ceiling, obligated by the letter contract over which the District cannot be liable if the letter contract is terminated.

Price - the amount the District anticipates it will pay the contractor for full performance under the terms of a contract, including costs and profit.

Price ceiling - an amount established during negotiations or at the discretion of the contracting officer which constitutes the maximum that may be paid to the contractor for performance of a contract.

Prospective price redetermination - a contract type which provides for a firm-fixed-price for an initial period of contract deliveries or performance and for a redetermination of the price for subsequent periods of performance at a stated time or times during performance.

Requirements contract - a contract that provides for the filling of all actual purchase requirements of designated District agencies for specific supplies or services during a specified contract period, with deliveries to be scheduled by placing orders with the contractor as required.

Target price - an amount established by the contracting officer during negotiations to encourage the contractor to control contract costs. The contractor's final profit varies inversely with the final cost of the contract.

Term contract - a requirements contract or an indefinite-quantity contract.

Time-and-materials contract - a type of contract that provides for the procurement of supplies or services on the basis of direct labor hours at specified fixed hourly rates (which include wages, overhead, general and administrative expenses, and profit) and material at cost.

SOURCE: Final Rulemaking published at 35 DCR 1569 (February 26, 1988).